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ontario **e** commerce  
export guide



## **Ontario e-commerce export guide**

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**Ontario Exports Inc.**





**To become a successful exporter,  
you need more than good luck.  
You need to be committed, patient,  
willing to work hard. You need to  
remain ahead of the competition.**

Successful exporters are those who seek competitive advantages by adapting to changing business environments and new market opportunities.

Today, Internet electronic commerce (e-commerce) has established itself as the business medium of the future. Make that the present. Indeed, as you read this, it's shaping the global business landscape.

Few companies can afford to ignore the inherent advantages and risks.

With its elastic nature, e-commerce serves as a bridge into the export market. For some exporters, that means pursuing new business-to-business or online retail opportunities. For others, it means changing the way they do business and bring their products to market. E-commerce also creates entirely new product and service categories – in effect creating the demand, and then delivering on the fulfillment.

Although many roads lead to e-commerce, there are many dead ends, and wrong turns. Many decisions need to be made before implementing a system or shifting to a new business model.

It is important to remember that selling products and services through the Internet does not eliminate the need for basic exporting knowledge, market research, and adherence to the rules and regulations for shipping products across international borders.

# e-commerce and exporting – opening doors worldwide

**1.0**

## **If you operate in Ontario – you already have a competitive advantage**

Ontario is one of the world's best locations from which to establish a thriving e-commerce enterprise. Some of the world's most dynamic and innovative e-commerce pioneers come from and operate within Ontario.

The province boasts world-class telecommunications infrastructure and capacity that is rapidly spreading to all regions of Ontario, expanding the benefits and opportunities of the Digital Economy to every community.

Many Ontario companies are joining the revolution. This e-commerce export guide and general overview was developed by Ontario Exports Inc., the Government of Ontario's lead trade agency, to help answer some of the questions you may have and to point you in the right direction for more comprehensive guidance and assistance.

You will learn about the financial implications of investing in an exporting enterprise which functions online, the benefits and the risks involved, and how to market your products and services within a highly competitive global e-commerce environment. You will also learn where to locate assistance and resources to help your company grow and thrive within the Digital Economy.



**E-commerce is a method of conducting business using various communication technologies. Its range is limitless. It is global and measurable. In its broadest scope, e-commerce can be considered to include telephone and facsimile orders, EDI (Electronic Data Interchange) and Internet-based commerce.**

### **E-commerce: Technology-based business**

Technology-based businesses are ones where business transactions take place between buyer and seller using the Internet and other web-based technologies.

1.1

# What is electronic commerce and why is it such a hot topic?

### **Internet-based electronic commerce**

This type of relationship requires that the vendor's e-commerce system provide the customer with the ability to perform any or all of the following:

- order products and perform routine inquiries without assistance from the vendor's sales staff
- place orders electronically using real-time pricing and inventory availability
- order recommended alternatives if there isn't sufficient inventory of the requested items
- obtain the status of different types of orders, such as completed, in-process and on back-order
- request quotations
- inquire about inventory levels of items and their corresponding net prices
- receive new product announcements
- read and print manufacturer's specification sheets
- browse through online catalogues

Once enabled with these capabilities, any type of business, small or large, has the ability to access all markets worldwide. Transactions are not confined by geographic location.

A properly designed business-to-business e-commerce system provides organizations with a solution that can increase their revenues, cut costs and reduce order processing time. At the same time, it can help increase order accuracy, improve inventory tracking and management and provide support for just-in-time manufacturing. E-commerce provides both buyer and seller with a mechanism to integrate into any supply chain management strategy.

Internet-based e-commerce has settled into two main segments: business-to-consumer and business-to-business. Business-to-consumer is the buying and selling of a product or service conducted between a business and a consumer, typically using credit cards. Business-to-business e-commerce is the buying and selling of a product or service conducted between two businesses, most typically using purchase orders or their equivalent.

It is important to understand the segment in which the business belongs, as each market segment has its own particular needs and requirements, such as security and transaction speed. A system developed for one market may not necessarily lend itself well to other markets.

In business-to-business transactions, speed is extremely important, as time is money – whereas with consumer transactions, browsing may be more critical than speed. In addition, real-time inventory status is crucial to a business transaction. The buyer must know immediately if the product is available, and if not, how long it will be back-ordered or whether suitable substitutions are available.

## New market opportunities

E-commerce creates an opportunity to expand market coverage so you can reach new markets with 24-hour, 7-day-a-week purchasing ability.

# What does e-commerce deliver?

**This medium has the potential to target export markets while still nurturing local trade. It is an ideal answer to the obstacles involved in long distance transactions. E-commerce reduces the costs and hardships of communicating and reaching consumers and businesses across the globe.**

## Lower operating costs

By operating online, organizations are able to reduce paperwork and other processing costs. Customer order entry can also improve order accuracy and help reduce costly product returns. online catalogues and product specifications combine with recommended substitutions to help reduce back-orders. Computer-based ordering helps reduce pricing errors and expensive calls to customer service personnel. In addition, providing order status information through e-commerce is much more cost-effective than having this same information available through customer service staff.

## Higher revenues

As well as obtaining higher revenues through an increased customer base and market size, some organizations have experienced an increase in order size of as much as 30% more per order by using e-commerce. This is due to a combination of functions, including online catalogues, product substitutions and direct marketing to the customer's desk.

## Increased customer base

E-commerce can help you win new customers. You'll be able to tap into a market of people already using the Internet for purchasing purposes, and with those who want to deal with a vendor doing business this way.

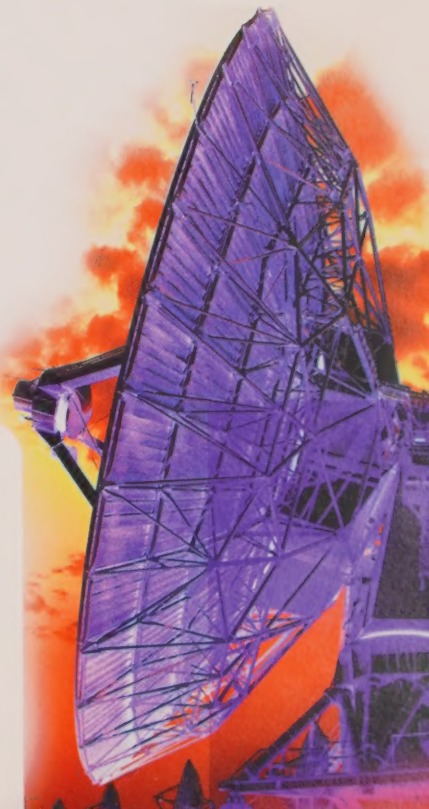
## Enhanced customer service

Customers now have the opportunity to do business with their vendor when they want to, either during or after normal business hours. This means they can focus their business hours on making their own profits, without being restricted by call centre hours.

## Targeted communications

For distributors or manufacturers, e-commerce offers a cost-effective method of proactively targeting their customers with communications during their online ordering session – which is exactly when the customer is in a buying mood.

1.2





# Is it right for you?

## 1.3

**Like any major business investment, the implementation of an e-commerce system must be a sound business decision. This means you need to evaluate whether e-commerce is right for you.**

You will have to decide whether customers will use it sufficiently to provide you with the necessary return on your investment. These are options to be taken into account as well as risks of the venture. Secondly you must consider a readiness for exporting and, building on that concept, a readiness for e-business exporting.

There are legal, customs and tax considerations to think about also. The following material contains, amongst other information, a matrix of the costs associated with using web-enabled technologies.

### A checklist

Here is a list of questions that organizations should ask if considering e-commerce to be an attractive way to conduct business.

#### 1. The nature of the business:

- Is an MRP (Material Requirements Planning) or ERP (Enterprise Resources Planning), or equivalent system, being used or implemented for order entry and management?
- Are customer orders received through an inside telephone sales group, via e-mail or via fax?
- Are customers geographically dispersed?
- Is an EDI system in use to supply any customers?
- Are there dealings with high-volume, low-margin goods?
- Are products warehoused for immediate shipping upon receipt of order?
- Are there plans to create a web site?

#### 2. Business issues and opportunities:

- Are high-volume levels that tax the capacity of inside sales groups being dealt with?
- Would it be valuable to have customers perform their own inventory and price checks, check order status and place orders without using costly inside sales reps?
- Would it be valuable to customers to perform their inventory and price checks, check order status and place their orders whenever they wanted?

- Is a comprehensive printed catalogue with product codes currently being offered to customers?
- Could customers outside of your time-zone benefit from extended hours?
- Is there constant pressure to capture more of gross margin for profits?
- Is an increase of average order size by as much as 30% attractive?

Answering 'yes' to any of these questions suggests that e-commerce could be a valuable and indispensable part of you doing business. However, simply answering these questions isn't enough to justify the investment in an e-commerce system. The following business opportunity discussions and financial justifications must also be considered:

### 3. Potential benefits of e-commerce that require further evaluation:

**Reduction of operating costs.** Customer telephone and fax orders can cost an average of \$5 to \$35 for a vendor to enter into the order entry system. The cost of an e-commerce order can be less than \$1 per order. These savings can add up to tens of thousands or even hundreds of thousands of dollars per year. Experience has also shown that organizations can receive 20% or more of their total orders through their e-commerce system.

**Winning new contracts.** It has been proven time and time again in the marketplace that organizations win more contracts (as many as 10% more) when they have e-commerce as a differentiator in a competitive situation. Customer-based companies that use an e-commerce system can see average order sizes increase from 10% to 30%.

**Preventing competitive losses.** Studies have concluded that the value of losing one account could be equal to at least 5 times its annual sales value. E-commerce can help lock in your key customers.

### Reduction of costs and increased reach.

Use an e-commerce system and you can reduce your marketing costs by up to 40%. The cost of producing and distributing printed materials for promotional activity is reduced. In addition, you can communicate real-time promotional activities to a very targeted audience.

### Driving growth without physical expansion.

E-commerce can provide you with a substantial way to grow your business without growing your infrastructure, eliminating incremental costs.





## Financial justification

For many organizations, the primary justification for an e-commerce system may be in the reduction of the cost of sales.

The following is a formulaic approach to calculating savings:

- Step 1 –** Number of orders per day that arrive via fax or telephone (A).
- Step 2 –** Number of people in your call centre (B).
- Step 3 –** Average cost (salary + overhead) of each call centre employee (C).
- Step 4 –** Your call centre's toll-free phone line and fax bill last year (D).
- Step 5 –** Calculate the total call centre employee costs (multiply B x C [E]).
- Step 6 –** Calculate your cost per order  $[(D + E) \text{ divided by } [A \times 5 \text{ days} \times 50 \text{ weeks}] [F]]$ .
- Step 7 –** Yearly Internet hook-up charge for your e-commerce system (G).
- Step 8 –** Calculate your cost per e-commerce orders  $(G \text{ divided by } [H] [A \times 5 \text{ days} \times 50 \text{ weeks}])$ .
- Step 9 –** Savings per order (cost of normal call centre order [F] minus cost of [I] the e-commerce order [H]).
- Step 10 –** Operating cost savings per year.  $[(A \times 5 \text{ days} \times 50 \text{ weeks}) \times [I] \times 25\%]$ .

### Notes:

Assuming that only 25% of the orders move to an e-commerce system, this is a substantial sum that is added directly to the corporate bottom line. What this figure doesn't take into account though, is the hidden benefit of an e-commerce system.

When customers realize the convenience and speed of an e-commerce system, they'll also use it to get answers to order questions, such as inventory levels, pricing and the status of their orders. These are all overhead functions that negatively affect your bottom line, as they're not revenue generating. An e-commerce system handles these functions for a much smaller cost than an inside sales representative would.



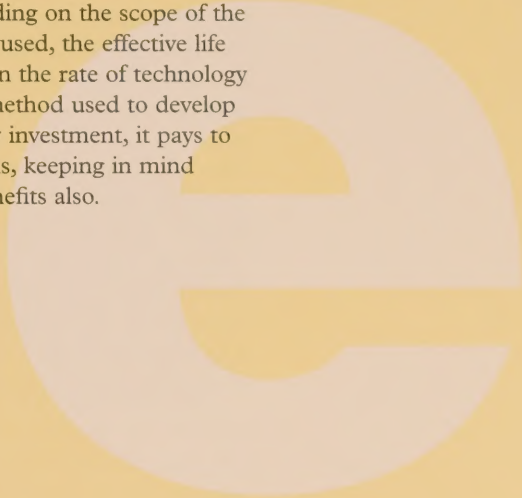
## SAMPLE EXERCISE TO DETERMINE THE FINANCIAL VIABILITY OF YOUR E-COMMERCE BUSINESS PLAN

### Summary

As the formula demonstrates, e-commerce makes good financial sense for any organization interested in reducing costs. An e-commerce system can also help significantly reduce back orders and product returns, contributing directly to cost savings. In addition, e-commerce systems provide an easy method of increasing revenues.

The budget justification process for an e-commerce system becomes a straightforward process. Because of the yearly savings and revenues it generates, it becomes a self-funded system. The break-even point can be calculated by dividing the bottom line change per year into the cost of an e-commerce system. For many organizations, this break-even point is achieved in mere months.

The costs of an e-commerce system can fluctuate wildly, depending on the scope of the system, the technology used, the effective life span of the system given the rate of technology development and the method used to develop the system. As with any investment, it pays to look at all of the options, keeping in mind potential long-term benefits also.





By now, it should be clear that e-commerce can provide you with a significant business opportunity. Conventional wisdom dictates that resources are precious and should not be spent on developing a product if full-featured solutions are already developed and on the market. There are two primary reasons that weight the balance in favour of purchasing a solution. They are:

## 1.4

# Building or buying solutions?

### Time to market

One of the most important competitive edges for organizations in this technological age is time to market. The average ground-up development and implementation time for an e-commerce system can be as long as 18-24 months, while implementation of a packaged solution can be from one to four months. Packaged solutions lead to a quicker return on investment. The desire to focus on core competencies and get value-added customer service capabilities online quickly is perhaps one of the most compelling reasons to consider a packaged solution.

### Technology skills

E-commerce systems are based on Internet technologies and need to interface with legacy host order management systems, meaning you'll need a full complement of development personnel that have significant knowledge and experience in all of the technologies involved. Additionally, because customer preferences dictate that you support the most popular browsers, you'll need to maintain a high level of expertise in both Netscape Navigator and Microsoft Internet Explorer (the underlying technology of each browser is different enough that you will have to maintain expertise in each of them). As these browsers evolve, you must also be prepared to spend development time on your e-commerce system in order to support the new versions of the browsers as your customers adopt them.

In order to provide real-time transactions through your online system, you will need to integrate your e-commerce system with your host order management system. This implies a high level of technical expertise in the area of system integration, client-server computing and programming and specific knowledge about the architecture and application programming of your MRP/ERP host system. As a general rule, it is more cost-effective and less risky for organizations to outsource their e-commerce implementation unless they have significant experience with e-commerce systems, the staff to support this kind of development effort, as well as the time to develop and implement the system.

If you are more interested in investigating pre-packaged solutions, you need to be aware that there are a variety of these systems on the market. Current packaged solutions can fall into two types of categories: publishing applications and transaction-capable products.



## Web site purpose

A web site can simultaneously fulfill many needs of a company looking to expand its horizons into foreign markets. It is at once able to inform and reach old and new customers, provide access to an online store or transaction forum and facilitate sales by being constantly available. It is the latest innovation in the competitive communication race and it spreads out globally. Even if only used as an information base, it serves as a catalyst towards increasing revenues. Once online, an organization can be accessed by the digital population and, inversely, gain access to the entire cyber world at once.

## Web site marketing plan

There are many ways of promoting a site and contributing to its popularity. The first step is to make it visible and accessible in as many avenues as possible. The wired objective is to always end up at the top of a search results page. The site programmer can include key words and titles that will be recognized by a search engine to help aid in this. It is also important to be listed in as many engines and directories as possible. Once a consumer has found a company, it is important to keep them interested. Aside from an appealing design and informative user-friendly content, a site could offer a kind of free service, a game or an alluring prize contest.

## Integrating your web site marketing plan with your exporting plan

The first step toward getting a business online is to register a domain name. This is an address that defines the organization and should ideally be easy to locate. The easier it is to find a site, the more traffic it will experience. Again, immediacy is required and the time is now. Many of the simpler, catchier, easier and more memorable names have already been taken. Register a name before it's picked up by a competitor. There's an entire digital world reserving names and travelling online. A domain name should be as indicative as possible as to what your particular business involves.

Something else to consider is the choice of suffix between .ca and .com. In an exporting situation, it might be preferable to choose the more generic and internationally recognizable .com which is usually associated with global business practices.

Customers need to know how to find your company. To facilitate the transition to online services, your organization's web address should appear in all promotional pieces and be a part of all materials that customers receive. This can include anything from voicemail greetings to e-mail signatures.

# Marketing

1.5

When delving into the exporting side of things, these marketing accents become even more valuable. online, geographic distance between customer and provider is not an issue. All a company has to focus on is being discovered. For this purpose, especially when trying to break into foreign markets, it is important to create links with a variety of sites. With this, the degrees of separation between an organization and its customers are significantly diminished.

## Competition

From the onset of any e-commerce adventure, it is important to always keep competitors in check. Determining the form, design and nature of a site and system can be assessed by researching what other companies are doing in terms of transaction procedures, marketing efforts, traffic generating approaches and links.

## A matter of trust

There are many steps that can be taken to ensure that customers are aware of the security guarantees an e-commerce system offers. If a customer has to search for crucial information such as shipping and handling fee clauses, return policies and security practices, they are likely to become distrustful of the system. This information needs to be displayed explicitly and be readily accessible. More assurances of an organization's legitimacy and reliability can take the form of customer testimonials and/or seals of approval from web-bound monitoring organizations. Particularly in an export situation, these details can become pivotal factors in achieving success. The important thing is to explain to customers why they should provide the information and what it will be used for, while also offering safety assurance.

Without jeopardizing the security guarantees of an e-commerce system, all the data flowing through a site remains calculable. The server on which your site resides can collect statistics about access frequency to the site or a specific page on the site, address of origin of the demand, duration of the visit and so forth. It is important to review this data and assess relevant patterns in order to help locate glitches in the system as well as determine ways of increasing success.



## Your timing

The Internet is quickly becoming the standard for rapid and accessible communications with customers. If a company is exporting its products, web presence will not only provide it with all the aforementioned benefits of e-commerce, but also basically serve as an information and advertising engine that's world friendly. E-commerce breaks down global time restrictions because it is accessible 24 hours a day, seven days a week. The right time to be on the Internet is always now.

# What to consider before making an investment in e-commerce

## Fundamentals of exporting remain the same

The basic steps of a business transaction have remained unchanged. E-commerce has simply broadened the forum in which these steps can be put into play and opens the doors of new markets.

By using the Internet for exporting practices, companies are making use of appropriately named information technology. It is key to keep customers informed at all times as to what is occurring. Surprises are generally unwelcome and mistrusted. So, though shipping policies might change according to a company's possibilities and needs, the customers must invariably remain informed of any fact involving the system and their use of it.

It is always a good policy to provide a way for online buyers to approximate a delivery date on orders. Especially when fulfilling exporting requests, it is important to give an idea of timelines. Customers should ultimately be aware of their shipping possibilities, costs, charges, guarantees and tracking options, as well as product pricing policies and currency issues.

There are also different factors that service exporters need to consider to ensure online export success. When shipping outside of Canada, companies must consider the option of including a charge for customs fees or covering them directly. Another common practice is to incorporate such fees in shipping and handling costs. In this case, the information flow should be kept active, and customers notified of the convenient practices to which they have gained access. Such policies can encourage and solidify continued transaction relations.

## Learn the basics first

Selling products or services online to customers across international borders requires basic knowledge of exporting in Ontario. We recommend you consult our "Getting Ready to Export Guide".

It is available online from our web site at [www.ontario-canada.com/export](http://www.ontario-canada.com/export).

A unique and comprehensive resource, "Getting Ready to Export" is a plain language guide that helps you:

- determine if your company is ready to export
- identify first-step export opportunities
- understand the implications of NAFTA for new exporters
- develop an export market access plan
- select a local sales agent
- locate sources of financing and set export prices
- build on your first successes
- manage your risks; and
- locate resources you need to get started, including:
  - export readiness evaluation software
  - low-cost market research aids
  - alternative export financing
  - Ontario and federal government programs for exporters, and
  - how to search for export opportunities on the Internet.





Unique marketing windows are open, but not for long. In today's competitive market race, organizations are planning and implementing e-commerce systems of their own so they can capitalize on the competitive edge this technology gives them.

In today's business climate, any business tool that provides significant revenues and savings should be promptly integrated into an organization's way of doing business. The sooner an e-commerce system is implemented, the sooner it can provide returns.

The development and implementation of an e-commerce system can take anywhere from one month for out-of-the-box solutions, to 18 months or more for in-house development. Most full-featured, real-time transaction processing e-commerce systems will take between three to six months to implement and beta test with select customers.

Implementation should serve as a means of maintaining a competitive edge, rather than an attempt to catch up with the competition.

The benefits of an e-commerce system are reiterated here and should be considered according to your business priorities:

- lower operating costs
- higher revenues
- increased customer base
- new market opportunities
- enhanced customer service
- new advertising revenue



1.7

# Joining the global digital economy

## Conclusion

Electronic commerce isn't for everyone, nor will one solution be right for every organization, but there is definite value and benefit in developing e-commerce capability within your exporting activities.

Once certain that exporting through e-commerce is a viable option, there are further steps to be taken by any interested organization.

Visit the Ontario Exports Inc. web site for additional information and resources.

We have numerous programs, services and networks that can point you in the right direction and help you build and grow a successful e-commerce export company.



## Who we are

Ontario Exports Inc. is the Government of Ontario's lead trade agency. We are an ISO 9001-registered agency that works with new and expanding exporters.

We help companies assess export readiness or determine if they are ready to increase their export activity. We also provide market intelligence by helping companies identify customers and choose the countries most likely to be profitable markets. We can help develop marketing strategies, guide clients to sources of financing and introduce them to international decision-makers.

Beyond this, we also coordinate trade missions and trade fairs. We collaborate with the Ministry of Economic Development & Trade field and regional offices to host export seminars and conferences throughout Ontario, including Ontario Trade Winds and Ontario Trade Days seminars. As well, we partner with private and public sector sponsors to host the annual Ontario Global Traders Awards and to celebrate Ontario's export success stories.

## For more information

Visit our web site at:

[www.ontario-canada.com/export](http://www.ontario-canada.com/export)

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